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FISCAL IMPACT STATEMENT

LS 6143

BILL NUMBER: SB 152

NOTE PREPARED: Apr 26, 2013

BILL AMENDED: Apr 26, 2013

SUBJECT: Property Tax Assessments.

FIRST AUTHOR: Sen. Eckerty

FIRST SPONSOR: Rep. Davis

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Real Property Assessments:* This bill provides that in the case of real property that is the subject of a property tax appeal in which the gross assessed value is reduced by the Property Tax Assessment Board of Appeals (PTABOA), if the assessed value is increased above the amount determined by the PTABOA the assessor has the burden of proving that the assessment is correct. The bill specifies that this provision does not apply to real property that was valued using the income capitalization approach in an appeal.

Interest Rate: The bill specifies that when a taxpayer is entitled to interest, the interest shall be computed using the rate in effect for each particular year covered by a refund or credit. It specifies that when a taxpayer is required to pay interest, the interest shall be computed using the rate in effect for each particular year in which the interest accrued.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Interest Rate:* This provision would require all interest collected by the county treasurer on property tax bills and interest paid to taxpayers on property tax refunds to be calculated at the interest rate set by the Commissioner of the Department of State Revenue (DOR). In addition, this provision requires that the appropriate year's interest rate applies for each year of the interest calculation.

This provision could increase or reduce interest payments to taxpayers, depending on whether the DOR interest rate is higher or lower than the current 4% rate for a given year. Property tax refunds reduce current year property tax collections for civil taxing units and school corporations.

Under current law, the interest rate used to compute interest payments to a taxpayer who receives a property tax refund because of a reduction in assessed value is 4% per year. The 2013 DOR interest rate is 3%. The last five years of DOR interest rates are as follows:

Year	Interest Rate
2009	7%
2010	4%
2011	9%
2012	4%
2013	3%

The interest rate on property tax refunds is currently equal to the rate set by the DOR if the taxes are refunded because:

- (1) Taxes were paid more than once;
- (2) The taxes were illegal; or
- (3) There was a mathematical error in the computation of either the assessment or the taxes.

Interest paid by taxpayers for additional taxes billed because of assessments made or increased after the tax due date is also currently charged at the DOR rate.

Explanation of Local Revenues: *Real Property Assessments:* Currently, when a taxpayer prevails in an assessment appeal to the PTABOA, the PTABOA's assessment modification applies only to the tax year or years that were appealed. Each tax year stands on its own. While the local assessor may use this modified assessment as the base for assessments in subsequent years, the assessor is not required to do so.

Beginning with March 1, 2014, assessments under this provision, the local assessor would have the burden of proving an assessment to be correct if the assessment is greater than the previous year's assessment as reduced by the PTABOA in an appeal. This provision would not apply to assessments made under the income capitalization method.

Currently, there are several reasons why an assessment modified by the PTABOA may not be carried forward. They include:

1. Timing issues between adjudication of the appeal and certification of the following year's assessment.
2. Influence factors may be applied to an assessment for a situation that presents itself for a limited amount of time.
3. Appeals of PTABOA decisions may be made to the Indiana Board of Tax Review (IBTR) and then the Indiana Tax Court and Indiana Supreme Court.

This provision would eliminate the need for real property owners to repeatedly appeal their assessments in cases where the taxpayer prevails. This could reduce the number of appeals filed in some areas which could reduce both county and taxpayer costs.

State Agencies Affected:

Local Agencies Affected: Local assessors, PTABOAs; Local civil taxing units and school corporations.

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